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KHPA in Transition: Changing Circumstances and New Priorities

KHPA Board Retreat
June 15, 2009

Dr. Andrew Allison, KHPA Acting Executive Director

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A Retrospective Look at KHPA's First Three Years: 2006-2009

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Circumstances Facing the Agency at KHPA's Inception

Window of opportunity for state-initiated health reform

- **Statutory charge to develop and coordinate a comprehensive health policy agenda** [see language on separate handout]
- **Historic lack of state and national progress on pre-eminent health issues**
  - Tobacco
  - Obesity
  - Coverage
- **State political leadership consistent with agency formation and supportive of bold agenda focusing on underlying health concerns and cost-drivers**
- **Federal administration uninterested in either national or state health reform**
- **Emerging focus nationally on prevention, HIE, and medical home**

Key Challenges Facing the Agency in 2006

- Brand new agency with new staff, combined programs, and no infrastructure
- Insufficient resources to meet KHPSA's statutory charge
- Legal threats to core product (rebidding managed care contracts)
- Lack of financial accountability in the SEHP
- Potential Federal liabilities in Medicaid approaching half a billion dollars
- Need to coordinate operation of Medicaid outside Cabinet's boundaries

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Initial Focus for KHPA During the Agency's First Phase

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Successfully Address Key Challenges

- Secured new resources from Legislature to meet agency's broad scope of responsibilities
- Successfully transitioned to two new Managed care subcontractors
- Established rigorous public reporting mechanism for state employee health plan
- Led collaborative effort to resolve state's outstanding Medicaid liabilities in the areas of mental health, targeted case management, and school-based services

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Establish Agency Operations

- Successfully implemented joint premium billing and document imaging/management
- Effort to coordinated actuarial services for insurance operations
- Initially combined data functions for SEHP and Medicaid
- Applied common contracting practices across insurance programs and initiated some joint procurements, e.g., for actuarial services
- Developed and employed joint reporting tools for SEHP and Medicaid
- Brought centrally managed legal and HR services into the agency

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Establish Public Governance

- **Broad consideration of key programmatic decisions and policy objectives**
- **Expert engagement and governance through the Board, agency staff, and external resources**
- **Public decision making and posting of key information**
- **Established stakeholder groups dedicated to continuous feedback**
- **Open, structured policy development**
- **Transparent actions and clear accountability**

Coordinate Health Policy for the State

- **Extensive community outreach and comprehensive engagement of stakeholders**
- **Initiate health policy development and promote systemic health reform**
  - Expand access to care through coverage and insurance market reforms
  - Advance health information exchange
- **Develop a comprehensive prevention-oriented public health agenda**
  - Medical home
  - Prevention and personal responsibility
  - Smoking
  - Obesity

Advance Data Policy and Assessment

- **Establish and convene data consortium to develop indicators and data policy**
- **Managing statewide health data**
  - Maintain inpatient claims data
  - Assess health professions database
- **Collaborative selection of Statewide health indicators and dashboard**
- **Management and development of KHIIS (private insurance database)**

Improve Program Coordination and Efficiency

- **Medicaid transformation**
  - Transparent policy development
  - Comprehensive program review
  - Data-driven recommendations and savings
  - Public accountability
  - Consistent agenda
- **State Employee Health Plan**
  - Prevention oriented benefits
  - Expanded employee choice
  - More competitive market place
  - Consumer tools and customer service
  - Financial accountability

Improve Program Coordination and Efficiency

- **Coordinate and leverage purchasing**
  - **Data management**
    - Create comparable data
    - Enable public and private benchmarking
  - **Joint policy initiatives**
    - Community health records in Medicaid and state employee plan
    - Medical home
    - Prevention-oriented benefits

Implement an Independent Single State Medicaid Agency

- Take responsibility to address widespread compliance and payment issues
- Care out role in oversight and coordination
- Initiate regular meetings
- Responsiveness and accountability for Federal partners
- Emerging focus on managing risks associated with Federal partnership
- Facilitate joint or non-KHPA Medicaid program initiatives

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Recent Activities

- **Completed 2008 Medicaid Transformation Process**
  - [see following slides]
- **Improved Medicaid Payments for Hospitals and Teaching-Related Costs**
  - Reforms to the Disproportionate Share Hospital (DSH) payment method
  - Increased funding for graduate medical education in underserved areas
  - Increased payments to University of Kansas physicians
- **Provided Wellness Programs for State Employees**
  - More than 76,000 employees/dependents eligible to participate
- **Expanded web-based services for beneficiaries**
- **Maximized value of Federal stimulus dollars for Kansas**
  - Policy input helped inform Congressional debate that improved funding formula for Kansas

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Medicaid Transformation: Savings Estimates for FY 2010

Savings included in KHPA Medicaid Caseload	SGF	All Funds
Expand PDL w/mental health	0	0
Time Limit MediKan to 18 months (reduced resource item)	- $11,700,000	-$11,700,000
Pharmacy changes* (cost reimbursement for physician office administered drugs; improved cost avoidance; updated list of maximum prices; improved enforcement of third-party liability)	-4,400,000	-11,000,000
Automatic prior authorization	-300,000	-750,000
Ensure Medicare hospital payments	-2,820,000	-7,050,000
Home health reforms	-120,000	-240,000
Durable medical equipment reforms	-160,000	-400,000
Transportation broker	-200,000	-500,000
Restrictions to hospice payments	-300,000	-750,000
Total Estimated Savings	- $20,000,000	-$32,390,000

*Implemented during FY 2009. Preliminary results suggest higher overall savings.

Medicaid Transformation: Ongoing 2009 Reviews

- Eligibility
- Federally Qualified Health Centers *(KDHE)*
- Family planning
- HealthConnect
- HealthWave
- Medicaid operations
- Mental health *(SRS)*
- Monitoring quality
- Prior authorizations for services provided out-of-state
- Physicians
- School-based services
- Therapy services

Board Discussion: KHPA's First Three Years

- What did the agency do well?
- What could the agency have done differently?
- Critical successes
- Critical shortcomings
- Lessons for the future
- Other Comments

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Status of KHPA Budget FY 2010-2012

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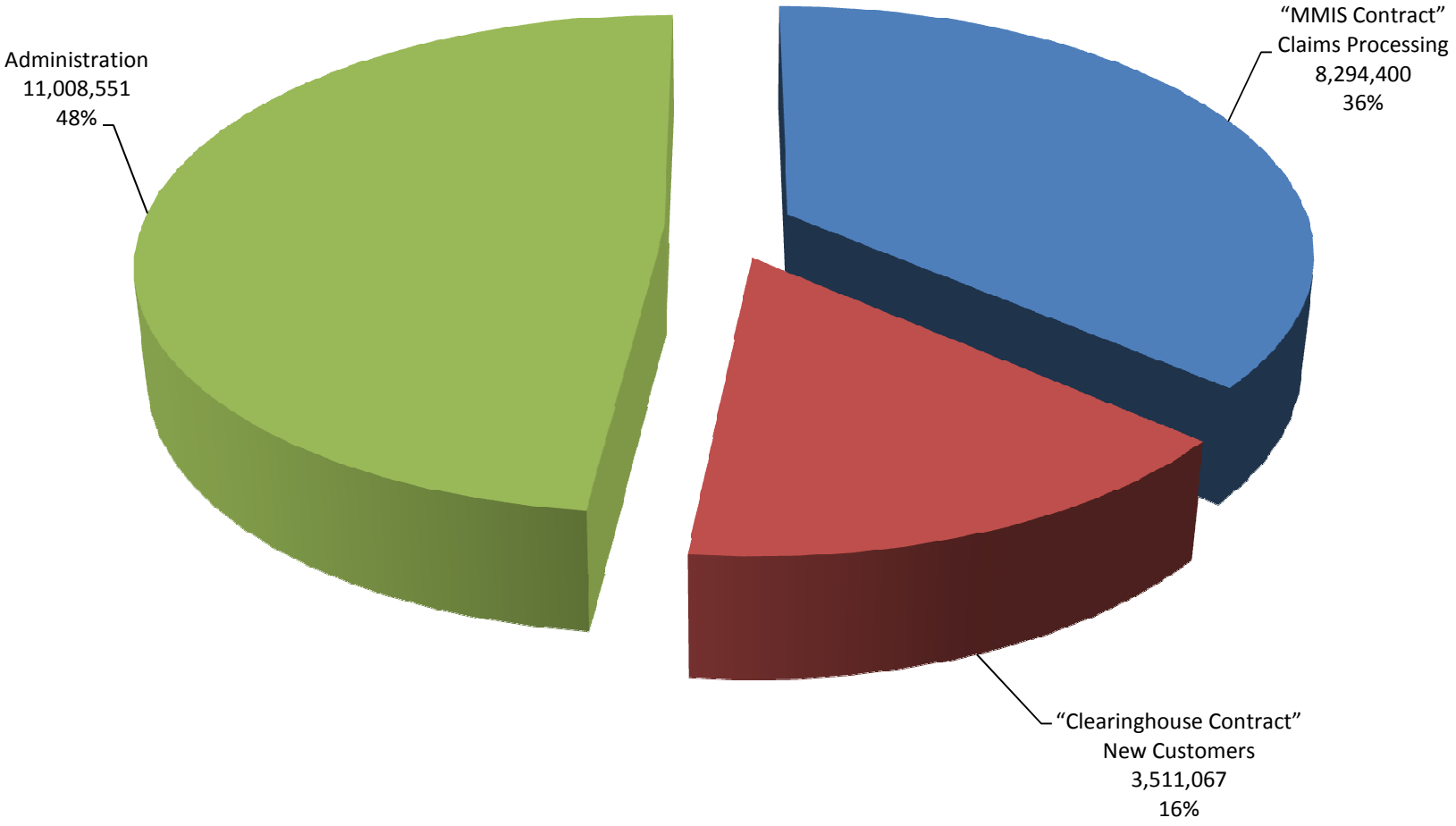
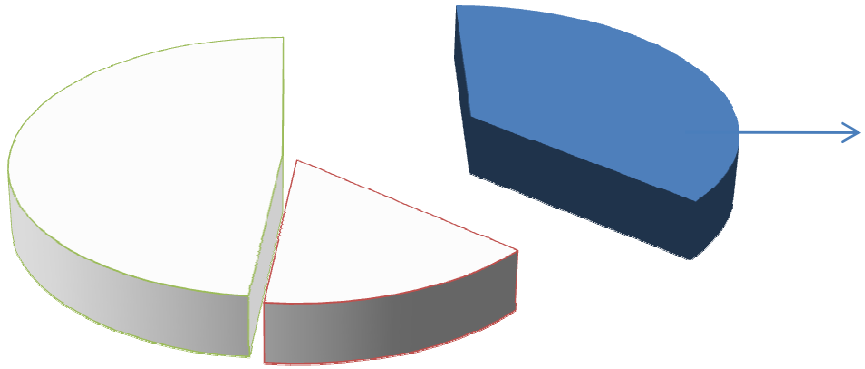
Brief Overview of KHPA's Budget

- **KHPA's FY 2009 budget was about $2.6 Billion**
  - $1.36 billion is non-SGF funding for KHPA medical programs
  - $0.8 billion is federal funds passed through to other Medicaid service agencies (SRS, KDOA, JJA, KDHE)
  - $0.46 billion is SGF funding for services and operations
- **KHPA programs and operations are funded separately**
  - FY 2009 operational funding was $23 million SGF
  - Caseload costs are about 20 times larger than operational costs
  - Caseload savings cannot be credited to cost-saving operations
  - The federal government matches Medicaid operations at 50-90%
  - Operational costs for the state employee plan are funded off-budget
- **KHPA budget reductions concentrated on operations**
  - Medicaid caseload protected due to Federal stimulus dollars
  - KHPA operations reduced 15.5% versus FY 2009

KHPA Operational Budget
Base = FY 2009 Budget: $22,814,018 (SGF)



KHPA Functions at a Glance: Claims Processing ($8.3 Million)



- Medicaid Management Information System (MMIS) - federal mandate: data processing system that manages claims and payments; assures compliance with state plan

- Surveillance Utilization Review Subsystem (SURS) - federal mandate: identifies waste, fraud and abuse

- Payment Error Rate Measurement (PERM) – federal mandate; assures program integrity

- Customer and Provider Service Call Centers: answer calls from providers, beneficiaries with billing, eligibility and other questions.

- FY 2009: Processing avg. 1.5 million claims per month

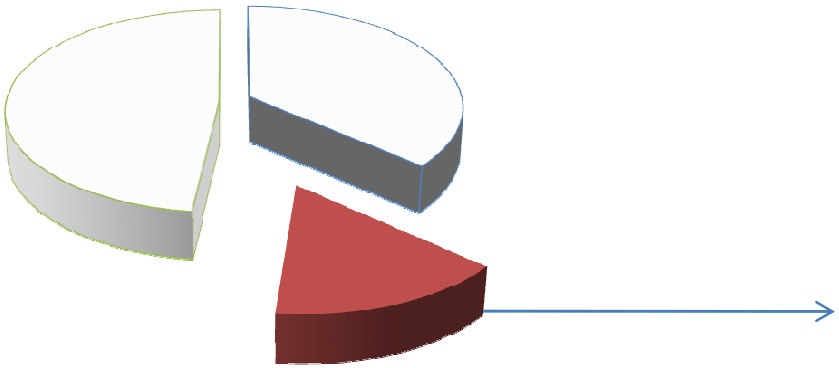
- Disbursing avg. $197 million per month in payments to providers

- Call Centers handling 21,127 incoming calls per month

- Outsourced to independent contractor

- Most costs fixed: volume-based contract

KHPA Functions at a Glance: Clearinghouse ($3.5 Million)



• Processes Medicaid and SCHIP applications for coverage: federal mandate to process an application within 45 days

•Similar to a “sales” department in private sector

• Issues new policies

• Screens applicants for eligibility

• Unified application process: One application for family; screens for all eligible services

• Workload fluctuates with economy

• Majority of work outsourced

• FY 2009 – Receiving an average of 10,736 applications and reviews per-month

• ***Backlog of applications already growing as economy worsens***

KHPA Functions at a Glance: Administration ($11 Million)

• Finance and Operations: budget; accounting; financial reports; purchasing

• In-house eligibility and claims processing (required by federal law)

• Actuarial Analysis: data evaluation; risk assessment; long-range planning

• Program management: quality improvement; risk management; cost control

• Human Resources

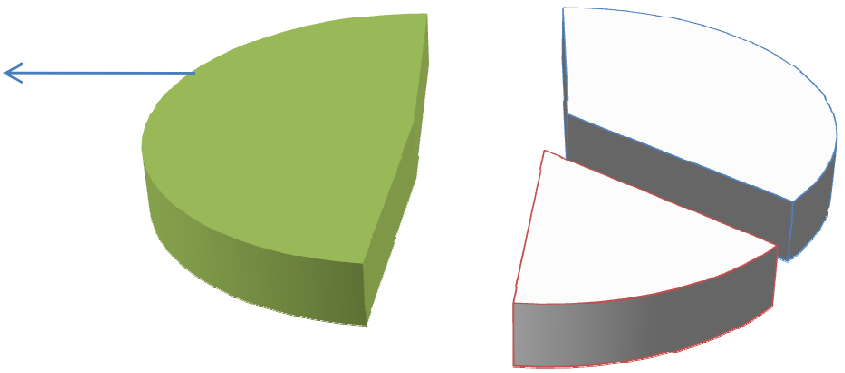
• Information Technology

• Legal Services

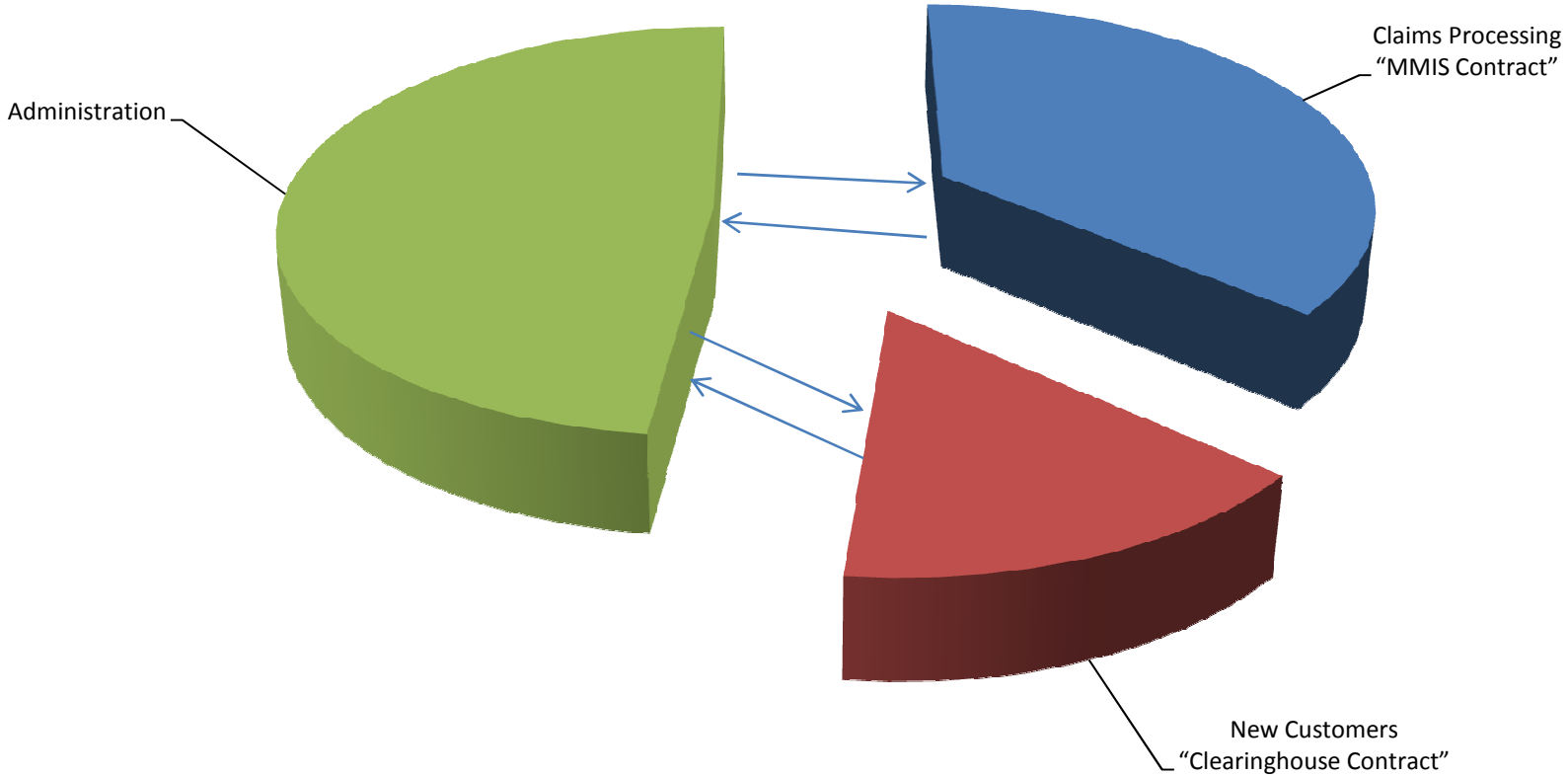
• Governmental and Stakeholder Relations

• Communications/Public Relations

• Physical Plant: rent; utilities; equipment; supplies

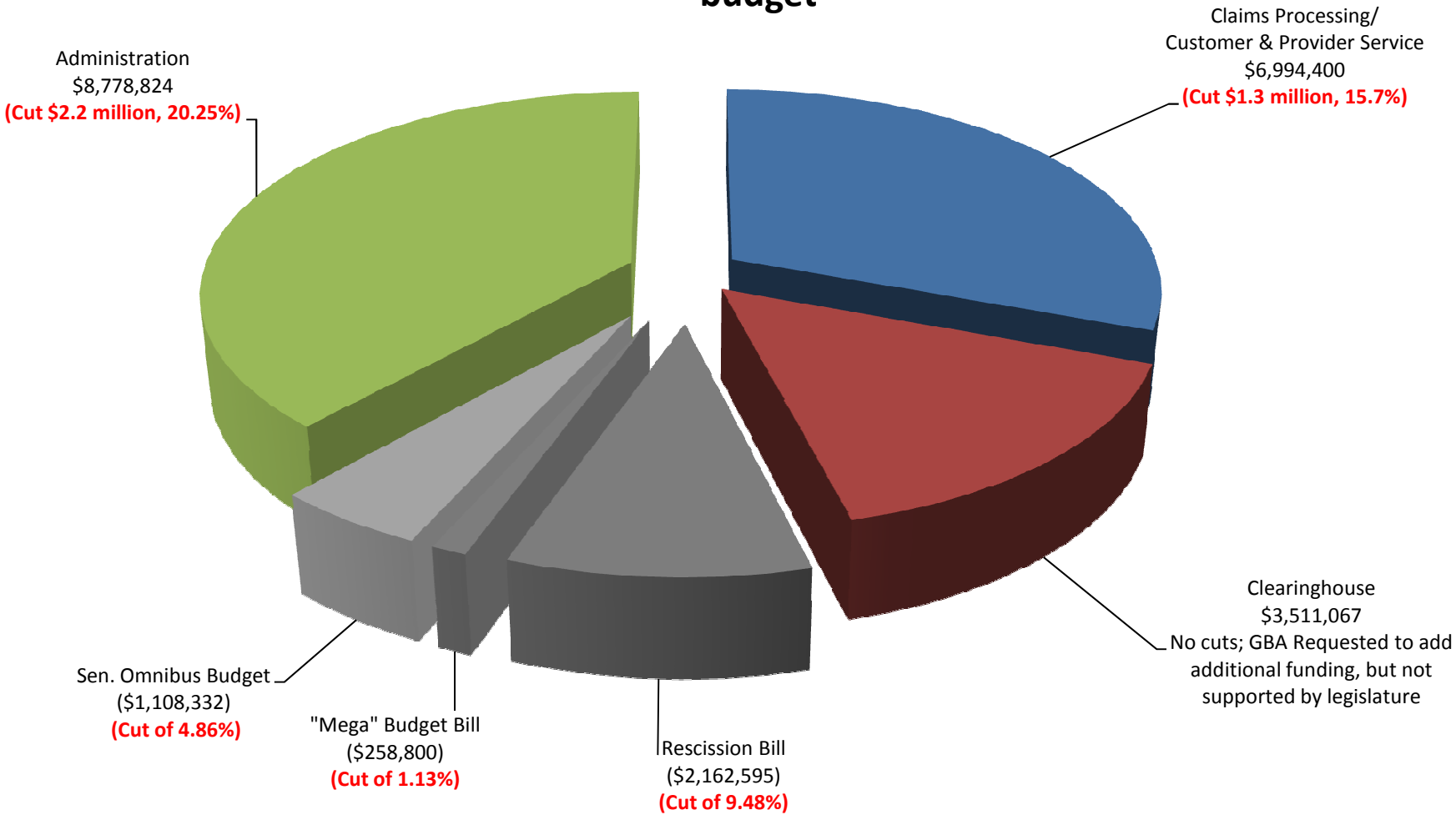


KHPA: Agency Function Interaction



Only portions of Claims Processing and Clearinghouse functions are outsourced. Federal law requires significant involvement/oversight by KHPA staff (for example, final eligibility determination for Medicaid/SCHIP must be made by a state employee, not by a contractor) .

KHPA Operational Budget
Distribution of FY 2010 Budget Cuts as compared to approved base budget



Total Cuts: $3,529,727 (15.47%)

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Potential Impact of Operational Cuts

- **As many as 30,000 to 50,000 People with Delayed Medicaid/SCHIP Applications by Dec. 2009**
  - $25 - $30 Million in uncompensated or foregone medical care, delayed payments
  - $15 - $20 Million in foregone federal funding
  - Needed medical care delayed; negative health outcomes
  - Compliance with 45-day limit for eligibility processing at risk
- **Approximately 40% Cut in Customer and Provider Service**
  - Affects 20,000+ Medicaid providers' ability to ensure access for their patients; receive prompt payment for services
  - Immediate delays in pharmacy care
  - 300,000 beneficiaries lose resource to resolve eligibility, coverage questions
  - Increase customer service demand on SRS, Aging, JJA
- **Staff Layoffs: 13 positions (beginning July 2010)**
  - Another 30+ funded positions held open or eliminated with turnover
  - Cumulative reduction in staffing of 15%
- **Medicaid stimulus funding for Kansas was used to protect Medicaid services and provide state fiscal relief, but stimulus funds were not used to protect Medicaid operations**
  - Federal stimulus dollars for Medicaid prevented cuts to Medicaid caseloads but fewer State General Funds were then provided to keep Medicaid operations whole

Summary of Agency Response to FY 2010 Budget Shortfall

- **Reduced internal operational costs by $2.2 million SGF**
  - Eliminated contracts not directly related to program operation
  - Cumulative staff reductions of 15%
  - Eliminated policy division
  - Reduced executive positions from 5 to 4, eliminating more than 20% of executive salaries
- **Reduced contract operations by $1.3 million SGF**
- **KHPA staff will be working to minimize the impact of reductions**
  - Meet regularly with the Medicaid community to identify additional efficiencies and new approaches
  - Continue to scrutinize operational funds to identify new resources
- **Solicit Board input on agency's structure and focus**
  - Re-assign resources to core program operations
  - Maintain efforts to identify savings and efficiencies in program costs
  - Extend focus on data driven efficiency to all KHPA programs
  - Review organizational structure to emphasize efficiency and accountability
  - Revisit policy, communications, and outreach efforts

Board Discussion: Agency's Response to FY 2010 Budget

- Questions about the emergence of the agency's operational crisis?
- Board feedback on specific reductions
- Other comments

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KHPA's New Challenge: the Environment for Reform and Program Management in 2010

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New Economy

- **Large reductions in agency resources**
  - Significant under-funding of core insurance operation for Medicaid
  - Looming coverage crisis due to eligibility backlog
  - Likelihood of widespread disputes over provider and beneficiary service
- **Large structural deficit in state budget**
  - Will create pressure for potentially large reductions in Medicaid spending
  - Will prompt focused discussion and legislative interest in re-scaling benefits
  - Consistent sources of growth in Medicaid spending may or may not be addressed through national reform efforts
- **Large structural deficit in federal budget**
  - Financial crisis added $1 trillion to Federal deficit
  - National debt skyrocketing as a percentage of national income
  - Economic growth unlikely to resolve deficits
- **Increasing levels of need for access to care and health insurance coverage**

New Political Leadership in Kansas

- **Limited success for comprehensive health reform agenda**
  - Support for expanding coverage to children only
  - Expansion to cover poor parents was enacted, never funded, then rescinded
  - Perception is that Medicaid covers the poor but,
    - 100,000+ uninsured adults living in poverty but not eligible
    - About 30,000 low-income children are eligible but not enrolled
  - Some progress in pre-eminent health issue of tobacco
  - Less progress in addressing obesity in children and adults
- **Legislative founders no longer in leadership role**
- **Some legislative interest in revisiting KHPA**
  - Agency's role in coordinating policy and developing an agenda
  - Agency's independence from Governor's cabinet

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New Federal Focus on Reform

- **Congress and new administration pursuing health reform and universal coverage**
  - Former Governor Sebelius in position of national leadership in health policy
  - Emerging national leadership and significant funding for HIE
  - Significant expansion in Federal role in controlling health impact of tobacco
  - Immediate passage of reauthorization of SCHIP
- **Federal reform options could significantly expand or alter role of Medicaid**
  - Expand Medicaid coverage to 100% of poverty or higher for all adults
  - Transition coverage of certain individuals from Medicaid into a state or national "exchange" offering subsidized private insurance
  - Establish an alternative "public option" plan that could involve Medicaid
  - Increase minimum benefits or payment rates for Medicaid

Board Discussion: Current Challenges and Opportunities

- Is there a continuing opportunity for state health reform initiatives?
- Are there other significant challenges or opportunities facing the KHPA?
- What is KHPA's greatest challenge or opportunity?
- Other comments

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KHPA in Transition: Establishing a New Set of Priorities

Refocus resources on core program operations

- **Scale back communications, outreach and policy capacity**
  - Eliminate the policy division and Director's position
  - Layoff 5 staff
  - Reassign remaining staff to programs operations
- **Consolidate responsibilities within Executive Team to take advantage of specific experience and strengths**
- **Maintain capacity to implement savings and efficiencies identified through transformation and normal program operations**
  - Provide update on 2008 Transformation recommendation
  - Provide updated estimate of 2008 Transformation savings
- **Acknowledge the agency's core accountability to efficiency, transparency, and program improvement**
- **Develop new savings and efficiencies through transformation process and remake the agency to engage in continual review and improvement**

Complete Transformation into an Accountable Agency

- Extend the Transformation process to all programs
- Develop and apply the KHPA strategic plan at every level of the agency
- Adjust job titles and definitions to align with strategic plan, new structure, and agency culture of accountability, opportunity and professionalism
- Engage in in-service or state-sponsored leadership and management training to adopt agency visions for accountability , opportunity, and professionalism
- Establish an affordable leadership development program to attract, retain, and develop future agency leaders

Solicit Feedback from Policymakers

- **Build relationships following political and agency transitions**
- **Make clear KHPA's intention to support state's imperative to balance the FY 2010 and 2011 budgets**
  - KHPA recognizes the magnitude of the state's budget gap and the significant share of state spending attributable to the Medicaid program
  - KHPA understands the need to reduce spending in FY 2010 and 2011
- **Core questions for policymakers**
  - What role do they envision for KHPA in the budget and policy process?
  - What specific policy options would they like to see?
  - What can KHPA do to help policymakers set a course for Medicaid and SCHIP?

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Position the State for National Health Reform

- **Ensure appropriate governance and financing for reform and expansion in Kansas**
- **Advance general goals in health reform**
  - Federal reform should maintain or reduce state cost
  - Preserve or enhance state flexibility
  - Consider leaving some big choices to states
  - Resolve conflicts between Medicare and Medicaid
  - Improve Federal support for Medicaid infrastructure
- **Looking ahead to the state's potential role post reform**
  - Help implement universal coverage
  - Increase public accountability and confidence at state level
  - Continued focus on prevention and medical home
  - Managing costs and program delivery
  - Not developing policies for expansion

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Help secure ARRA funding for health information exchange and technology

- State response to ARRA funding to be coordinated by Health and Human Services Sub-Cabinet
- HIE Commission may continue to be a source expertise and stakeholder involvement
- Sec. Bremby designated by the Governor to take the lead in developing statewide response
- ARRA and existing Medicaid statute include funding for the development and advancement of a coordinated HIE and HIT strategy
- KHPA will coordinate with the HHS Sub-Cabinet to identify resources for technical assistance and planning to ensure successful application for ARRA and supplemental Medicaid funding.

Board Discussion: Agency Priorities for 2010

- What approach should KHPA take towards initiation of a coordinated public health agenda?
- How should KHPA solicit input and conduct outreach and communications with stakeholders and the general public?
- Should KHPA advocate a singular agenda or present policy options for the Governor and legislature?
- Other comments

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KHPA in Transition: Restructuring the Agency

Restructure Agency to Reflect New Agenda

- **Existing challenges**
  - Need to reassign key personnel into program operations
  - Staff face continuing challenge to adopt outcomes-oriented approach
  - Analytic, technical, and clinical staff are often located in separate units
  - Program evaluation and continual improvement is the emerging agency priority, but this process relies primarily on project team-based approach

Restructure Agency to Reflect New Agenda

- **Recommended changes**
  - Reorganize into accountable program units with clear goals and tools sufficient to track, assess, initiate and implement program efficiencies and improvements in a continual basis
  - Adjust job titles and definitions to align with strategic plan, new structure, and agency culture of accountability, opportunity and professionalism
  - Implement central coordination of agency-wide focus on program improvement and evaluation
  - Integrate agency restructuring with ongoing effort to document and redefine the agency's culture to focus on accountability, opportunity and professionalism

Restructure Agency to Reflect New Agenda

- **Expected process**
  - Solicit Board input
  - Engage managers
  - Communicate changes
  - Implement new structure
  - Initiate training
  - Unit-level application of strategic plan
  - Review job descriptions and unit assignments
  - Apply new performance expectations and professional development plans using state's new performance management system

Board Discussion: Agency Restructuring

- **Concerns regarding the Agency's restructuring**
- **Suggestions**
- **Other comments**

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